

SPECIAL SECTION: CONSTRUCTION TECHNOLOGY

# Construction

EXECUTIVE

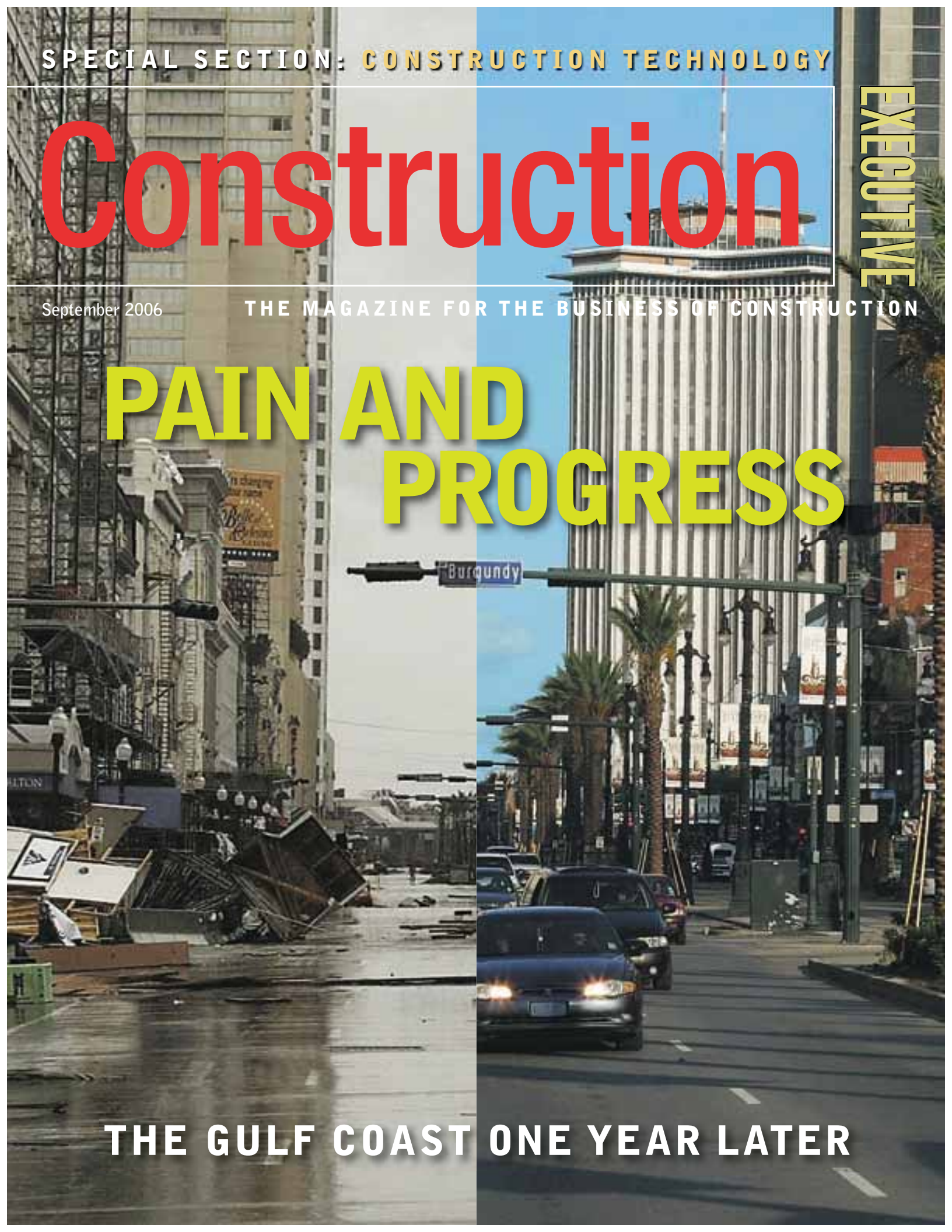
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## PAIN AND PROGRESS

Burgundy

THE GULF COAST ONE YEAR LATER



# How to Protect Profits and Eliminate Jobsite Headaches

**J**ob cost overruns are the most common reason subcontractors are not profitable, and 90 percent of overruns occur in the labor category. This is not surprising because estimating labor is often a guesstimate, and actual job performance is subject to several variables.

Evidence suggests that labor costs are difficult to manage and overruns are all but impossible to avoid. Job costing is of little use unless contractors know the true and correct percentage of completion. Tracking production manually is a time-consuming process, and completion reports can lag behind actual production by at least two weeks.

As a project progresses, contractors often cannot accurately determine the correct percentage of completion to see if they are truly on target. Accounting job costs only show the history of what was spent to date for each phase of work, whereas dividing those costs by a correct percentage number yields the future projected outcome of costs.

Construction professionals with profit and loss responsibility sometimes advance blindly, unaware of budget overruns that can dangerously impact the bottom line. To proactively manage a complex construction project, contractors require total job visibility, insight and control.

With an integrated software solution, users are empowered with up-to-the-minute information, producing answers to the ongoing questions of job status, budget adherence and profit margin. Users can eliminate the guesswork and see the full job cost and completion status unfold in real time. This allows project managers to avert overruns by implementing timely changes to maximize productivity.

The earlier a problem is recognized



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and addressed, the more time and money remains to get back on track.

Before work begins on any project, project managers should share the estimated time for each phase with the jobsite manager, who focuses on meeting the budget goals.

Once work begins, the jobsite manager should communicate daily with the office to stay on budget. With a software solution, the jobsite manager can automatically transmit labor activities as completed, in real time. The project manager then can review and monitor the job cost hours as these are reported and instantly compare the production achieved with the original production estimate.

Armed with this information, the jobsite manager can see where profits are slipping and address a production problem before it erodes job profits.

Daily timecards that separate the job into labor cost codes are another important cost-saving component. The cost codes should be standardized so the company can show these phases in accounting. By assigning labor cost

codes, jobsite managers can track and analyze overruns to the finest detail to review specific areas and compare the expected production to the actual production. They also can use this information to recalculate the production schedule to get back on budget.

As with any construction job, profitability relies heavily on accurate takeoffs, estimates and change orders produced for the project. Solving major job cost erosion may mean a significant overhaul in an estimating database. Commit to reviewing each and every job and look for categories that are on target, versus those that run over budget.

Hindsight is 20/20. The purpose of these “autopsies” is to tighten up estimating, keep pressure on production and improve the outcome of future jobs to earn a well-deserved profit.

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